

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-246-C - ORDER NO. 2005-690
DECEMBER 8, 2005

IN RE:	Application of Sprint Nextel Corporation for)	ORDER APPROVING
	Approval of the Transfer of Control of United)	TRANSFER OF
	Telephone Company of the Carolinas, Sprint)	CONTROL
	Long Distance, Inc. and Sprint Payphone)	
	Services, Inc. from Sprint Nextel Corporation)	
	to LTD Holding Company.)	

I. INTRODUCTION

In the above-referenced matter, we consider Sprint Nextel Corporation's ("Sprint" or "Sprint Nextel") Application for approval for a transfer of control of Sprint's incumbent local exchange carrier ("ILEC") affiliate in South Carolina, United Telephone Company of the Carolinas ("United"), the newly created interexchange reseller Sprint Long Distance, Inc. ("Sprint LD"), and United's payphone affiliate, Sprint Payphone Services, Inc. ("SPSI") from Sprint Nextel Corporation to a new stand-alone holding company, named generically for the time being as "LTD Holding Company". This Application is one of the necessary regulatory steps in order to implement Sprint Nextel's announced plans to "spin off" its ILEC affiliates and associated companies into a stand-alone local company. Because we find that Sprint's Application is in the public interest, we grant the relief requested and approve it.

II. PROCEDURAL BACKGROUND

On August 17, 2005, Sprint Nextel filed its “Application for Approval of the Transfer of Control of United Telephone Company of the Carolinas, Sprint Long Distance, Inc. and Sprint Payphone Services, Inc. from Sprint Nextel Corporation to LTD Holding Company”. Sprint Nextel filed a Notice of Request for an Allowable Ex Parte Briefing pursuant to S.C. Code Ann. Section 58-3-260, and the Commission hosted the allowable ex parte briefing on September 1, 2005, at its offices in Columbia, South Carolina.

On September 20, 2005, the Commission issued its Notice of Filing in connection with Sprint Nextel’s Application. The Notice of Filing set a deadline for Petitions to Intervene in connection with Sprint Nextel’s Application, and the transmittal letter accompanying the Notice set a deadline for Sprint Nextel to file the Proof of Publication for the Notice.

The South Carolina Office of Regulatory Staff (“ORS”) filed a letter with the Commission on October 4, 2005, stating ORS’ finding that Sprint’s request is in the public interest and recommending that the Commission approve it. Counsel for Sprint Nextel filed the required Proof of Publication for the Notice of Filing on October 20, 2005, and the October 21, 2005, deadline for Petitions to Intervene expired with no party other than ORS intervening in the matter. Subsequently, Sprint and ORS filed a Joint Motion on October 27, 2005, requesting that in light of no interventions or other opposition and in recognition of ORS’ support, we administratively approve Sprint Nextel’s Application as in the public interest. The Commission denied the parties’ Joint

Motion for procedural reasons during its agenda meeting held on November 8, 2005, and appointed David Butler as Hearing Officer and Hearing Examiner in Docket No. 2005-246-C and required Sprint to file verified prefiled testimony supporting the Application, in order that the Commission could reach its determination in the matter based on a complete evidentiary record. Pursuant to the Commission's directive, Sprint filed the verified Direct Testimony of Sprint's State Executive for South Carolina, C. Steve Parrott, on November 17, 2005.

A hearing was held December 5, 2005, at the Commission offices in Columbia, South Carolina before Hearing Examiner David Butler. Sprint was represented by Scott Elliott, Esquire. The Office of Regulatory Staff was represented by Wendy B. Cartledge, Esquire. Testifying for the Applicant was C. Steve Parrott, whose prefiled direct testimony with two exhibits was entered into evidence. The ORS supports Sprint Nextel's Application. Based on the foregoing and the evidence of record, the Hearing Examiner recommended that the Commission approve Sprint Nextel's Application.

III. SUMMARY OF APPLICATION AND TESTIMONY

Application

In its Application, Sprint Nextel requests that the Commission approve the transfer of control of United, Sprint LD and SPSI from Sprint Nextel to LTD Holding Company pursuant to S.C. Code Ann. Section 58-9-310. Sprint Nextel states that it submits its Application in furtherance of its plans to separate its wireline local service operation into an independent, stand-alone operation. Application, at 2. As a result of these plans, a new holding company, LTD Holding Company, has been created and upon

receiving the necessary approvals, Sprint Nextel will transfer control of the Sprint operating companies serving local customers to LTD Holding Company. Sprint Nextel explains in the Application that the proposed transfer of control is in the public interest, and that United will continue to have the necessary managerial, technical and financial capabilities to provide service. Id. In addition, Sprint Nextel states that the proposed separation of the incumbent wireline operations from its current parent company, Sprint Nextel, will benefit United's residential and business customers, and will be transparent to customers. Application, at 21-23.

Sprint's Testimony

According to Sprint's witness, Mr. Parrott, the separation of Sprint's local telecommunications business from the rest of Sprint will result in no substantive change to United, Sprint LD and SPSI. The South Carolina entities will remain the same, and United, Sprint LD and SPSI will continue to function as separate companies, serving their local customers. The companies will continue to possess the requisite technical capabilities, managerial expertise, assets, and financial resources necessary to provide quality services. Parrott Direct Testimony, at 7. Regarding the companies' financial standing after the separation, United, SPSI and Sprint LD will continue to be financially capable of fulfilling all regulatory obligations of regulated telecommunications companies in South Carolina. After the separation, LTD Holding Company will raise capital for United, SPSI and Sprint LD and will possess the financial capability to assist the companies in providing quality service to their customers. Upon completion of the separation, LTD Holding Company will be financially secure, and its size will rank the

newly separated company in approximately the middle of the Fortune 500. The stock of LTD Holding Company is expected to be traded on the New York Stock Exchange, and it will be the largest independent, non-Regional Bell Operating Company local exchange carrier in the United States. Parrott Direct Testimony, at 18-19.

Sprint's witness further advised that after the legal separation, the only change to these entities' corporate structure will be that the ultimate owner of these companies will be LTD Holding Company instead of Sprint Nextel. The only noticeable outward change to the companies after completion of the legal separation will be that the names of United, Sprint LD and SPSI will change. Mr. Parrott explained that that the corporate name and logo for the new local company have not yet been determined, but they will be introduced on or near the effective date of the separation. Parrott Direct Testimony, at 4-5. Other than the necessary name changes, the separation will be completely transparent to the South Carolina customers of United, Sprint LD and SPSI. On the day after the separation, the companies will offer the products and services they offered in South Carolina on the day prior to separation, at the same prices and subject to the same regulations and applicable tariffs. In addition, the separation will not adversely affect the quality of service that United's customers enjoy today, or the company's ability to meet its service obligations. Parrott Direct Testimony, at 5-6.

Mr. Parrott also testified that the proposed separation is in the public interest because it will create an incumbent local exchange company whose primary focus is to build upon its local wireline experience in providing quality service to residential and business end-users in South Carolina. Because the proposed transaction will allow the

new company to clarify and refine its single-minded local vision and purpose separate and apart from the predominantly wireless, nationwide fiber optic, and global IP interests of Sprint Nextel, the transaction will have the beneficial effect of better aligning the interests of the new local company with the interests of its South Carolina customers. Accordingly, Mr. Parrott concluded his testimony by stating that because the proposed separation is in the public interest, the Commission should approve the change of control. Parrott Direct Testimony, at 20.

IV. OVERVIEW AND DISCUSSION

First of all, we note by way of context that United is one of the larger incumbent local exchange companies operating in South Carolina, serving approximately 96,000 access lines in nineteen communities in the state. United provides a full portfolio of communications services to its customers, including local, long distance, wireless, high-speed data, and video. See Parrott Direct Testimony, at 3. Upon review of the evidentiary record and the Hearing Examiner's recommendation in this matter, we find that approval of Sprint Nextel's Application is in the public interest because it will facilitate the creation of an independent, stand-alone local service operation whose primary focus will be to build upon its local wireline capabilities by providing a full portfolio of services to its residential and business customers, thus putting the company in a position to better serve the needs of its customers in the state.

In Sprint's Direct Testimony filed on November 17, 2005, Sprint's witness, Mr. Parrott, correctly points out that no party other than ORS has intervened in Sprint Nextel's Application for transfer of control. ORS is on record as actively supporting

Sprint Nextel's Application as in the public interest. Accordingly, in furtherance of the public interest, we hereby approve Sprint Nextel's Application for transfer of control. Since no party other than ORS has intervened in the matter and since ORS supports this request, we find that no party will be disadvantaged by approval of the Application at this time.

V. FINDINGS OF FACT

1. United is an incumbent local exchange company operating in South Carolina, and serves approximately 96,000 access lines in nineteen communities in the state.
2. SPSI is certificated by the Commission as a payphone service provider in South Carolina.
3. Sprint LD has applied for authority to operate as an intrastate IXC reseller in South Carolina in Docket No. 2005-238-C.
4. Sprint Nextel desires that the Commission approve the transfer of control of United, Sprint LD and SPSI from Sprint Nextel to LTD Holding Company.
5. With the exception of ORS, no Petitions for Intervention or other oppositions were filed in connection with Sprint Nextel's publication of notice.
6. ORS supports Sprint's Application as in the public interest.
7. The proposed transaction will not affect the operation of United, SPSI or Sprint LD in South Carolina, and United and SPSI will continue to provide local and payphone service, and upon approval of Sprint LD's request for IXC reseller authority in Docket No. 2005-238-C, Sprint LD will provide service, subject to existing statutes,

orders, rules, regulations and applicable tariffs.

VI. CONCLUSIONS OF LAW

1. The Commission has jurisdiction to approve Sprint Nextel's Application for transfer of control pursuant to S.C. Code Ann. Section 58-9-310.

2. The Commission concludes that Sprint Nextel has sufficiently demonstrated that approval of the Application is in the public interest.

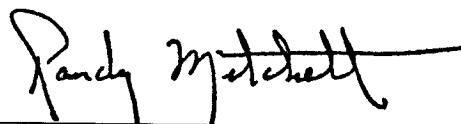
3. The Commission determines that Sprint Nextel's Application for transfer of control of United, Sprint LD and SPSI from Sprint Nextel to LTD Holding Company should be approved.

IT IS THEREFORE ORDERED THAT:

1. Sprint Nextel's Application for Approval of the Transfer of Control of United Telephone Company of the Carolinas, Sprint Long Distance, Inc. and Sprint Payphone Services, Inc. from Sprint Nextel Corporation to LTD Holding Company pursuant to S.C. Code Ann. Section 58-9-310 is hereby granted; and


2. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Randy Mitchell, Chairman

ATTEST:



G. O'Neal Hamilton, Vice Chairman
(SEAL)